

ITT Corporation

*CONGRESSIONAL TESTIMONY*

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STATEMENT OF ITT CORPORATION

Testimony before

The Subcommittee on Oversight and Investigations

Committee on Energy and Commerce

United States House of Representatives

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ITT Night Vision

and

Gregg Nivala

Vice President, General Counsel  
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ITT Night Vision

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Chairman Stupak, Ranking Member Walden and members of the Committee.

My name is Mike Alvis, I am a Vice President at ITT Night Vision--one of the seven businesses in the ITT Defense Electronics and Services Group within ITT Corporation, a multi-national, multi-industry Fortune 500 corporation with over 40,000 employees and \$10 billion dollars in annual revenue. Our products serve a broad range of applications in both military and commercial markets. They include things like pumps for the residential and commercial water market, sounders and imagers on weather satellites which will help us measure the impact of carbon in our atmosphere, and the ground station network for ADS-B which will transform the FAA's air traffic control function from its sole reliance on radar to include more precise GPS satellite technology.

I am joined at the witness table today by Mr. Gregg Nivala, ITT Night Vision's General Counsel. Gregg also heads the ITT Night Vision trade compliance organization that monitors the sale of all of our products, military and commercial. Also in attendance is Ms. Ann Davidson, from our corporate headquarters. She serves as ITT's Vice President for Corporate Responsibility.

ITT has been in the night vision business for over 50 years. We are pleased to be an informational resource for this Committee as it investigates the sale of sensitive military technology into the commercial marketplace. In the interest of full disclosure, in early 2007, ITT settled a criminal matter with the US Department of Justice by pleading guilty to violations of the International Traffic and Arms Control Regulations or ITAR. The individuals joining me here today hold key positions created at the corporate and business unit level designed to ensure that all ITT employees know the law and operate their business activities legally and ethically. Ms. Davidson, the first ever corporate Vice President for Corporate Responsibility, presides over a worldwide network of compliance officials that monitor the business units to ensure that ITT moves ever forward with a world class or premier ethics and compliance organization.

ITT Night Vision is the world's largest developer and manufacturer of night vision goggles and image intensifier tubes for weapons sights, aerial

platforms and other specialty systems manufactured by other US companies. We are one of only two US manufacturers of the Generation 3 (Gen 3) image tubes, the highest technology developed to date. It is the core component for US military night vision goggles. Since 1982, ITT has manufactured over one million Gen 3 tubes. ITT's night vision value center employs over 1,900 people in two locations in Virginia and Massachusetts and earns about \$500 million in annual revenues. The overwhelming preponderance of our sales is to government customers and we have ceased manufacturing Generation 2 tubes which often constitute the technology found in catalog commercial sales for the public. Our key business areas are night vision goggle and spare tube sales to US federal agencies and state and local governments, international sales to key US allies, and commercial tube sales to other US original equipment manufacturers (OEM) who sell into the US military market. ITT also sells its Gen 3 aviation goggles—via a dealer—to the civil helicopter community--primarily emergency medical services (EMS). Although not a government entity, private medical evacuation helicopters perform a key first responder role and the purchase and use of night vision goggles by them is strongly encouraged by the Federal Aviation Administration.

Until recently, ITT's focus was image intensification technology which involves the magnification of small amounts of ambient light through processing plates that excite protons and produce visible images against a green backdrop. ITT is also the developer and sole provider of the Enhanced Night Vision Goggle (ENVG), the most versatile and multifaceted night vision device ever fielded. This goggle uses an optical fusion to overlay a Gen 3 tube with a thermal infrared image giving the soldier multiple viewing modes and operability in all battle and environmental conditions. The ENVG is only sold to the US Army. It should continue to ensure that US forces always have the critical technological edge over potential adversaries. This overmatch is also maintained in the international sales of legacy Gen 3 products by enforcing US government restrictions on the specification of Gen 3 tube allowed to be sold internationally. This applies even to our closet allies. In addition to limiting the quality of the overall tube characteristics, recent "provisos" from the Department of State and Department of Defense maintain the US advantage by not allowing "gated" tubes to be sold even to our closest Allies. The gated feature allows a tube to continue to function when there is a sudden increase in light, such as during a firefight. Non-gated tubes would shut down for a period because they are overwhelmed by the increase in light. As a matter of policy, ITT

does not sell its Pinnacle gated image intensifier tube into the US commercial market. The two exceptions are the civil aviation and law enforcement markets where its safety and operational overmatch are essential ingredients to mission success.

Given this committee's interest and focus, it is important to understand the distinction between the Gen 3 technology and the Gen 2 technology that is available from multiple international manufacturers located in Russia, France and the Netherlands. This is important because currently there are no restrictions on the import of Gen 2 tubes into the US. Gen 2 tubes are the main component in the US recreational market and even contribute to some US military and law enforcement sales. The Gen 2 tubes produced abroad have improved and equal or surpass the Gen 3 tubes in some areas. The "Gen 2 Plus" currently produced by Photonis-DEP, a French-Dutch company, performs superbly at most levels of the night spectrum and competes favorably with ITT and L-3 Communications in the international market.

The Gen 3 tube, the only tube manufactured by ITT, outperforms the Gen 2 Plus in three major areas (only one of them electro optical): low light level performance, life cycle costs and initial costs. The US military prefers to operate at night at the lowest level of ambient light available. This helps ensure that they always have the advantage over an adversary with the naked eye or Gen 2 technology. The superior low light level of Gen 3 over Gen 2 gives the US a qualitative edge when little light is available. In areas where ambient light is prevalent, such as urban areas, the advantage diminishes. The other advantage of Gen 3 is that the tube lasts four times as long, reducing the logistical burden on the US military which will have one million goggles deployed throughout the world by the end of 2010. Finally, the ITT Gen 3 tubes are cheaper due to ITT's high volume supply chain, lean and Six Sigma efficiencies and high yields.

In closing, ITT is pleased to answer any questions concerning our technology or our experience in developing a first-class compliance organization to protect this technology and all ITT products and services of a sensitive nature. Consistent with the requirements set forth in the International Traffic and Arms Regulations (ITAR), we will limit our responses to questions concerning Night Vision technology to information that is in the public domain.

While ITT is the world's leading manufacturer of Gen 3 image intensification tubes, we do not make all the individual systems that are bought and used by the US military. Specialty items like weapons sights, aerial cameras, and Special Operations equipment are made by smaller companies who specialize in that market. ITT sells its Gen 3 tubes to those original equipment manufacturers as a commercial sale. We hope that the Committee will very carefully examine the balance between increasing regulatory protection and an overly restrictive prohibition on commercial sales. Prohibiting direct commercial domestic sales of night vision tubes could impact our military and the small companies that support them. It also could adversely impact medevac helicopters. We look forward to your questions.